The Battle for the American Couch Potato: Online & Traditional TV and Movie Distribution

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Commentary

Now in its 11th year of publication, The Battle for the American Couch Potato: Online & Traditional TV and Movie Distribution (108 pages) contains detailed analysis by **Company & Market**. In addition to Convergence analysis, sources include company interviews, annual/quarterly reports & presentations, US Census. **Commentary, please see Table of Contents for what is included in this Report:**

We estimate 2016 US Cable, Satellite, Telco TV access provider (not including OTT) revenue grew 3% to $107.3 billion ($91/mo. ARPU) and forecast $109.6 billion ($95/mo. ARPU) for 2017, programming costs continue to grow in the high single digits. In contrast, we estimate US OTT access revenue (based on 46 OTT providers and led by Netflix) grew 32% to $8.3 billion in 2016 and forecast $11.2 billion for 2017 and $14.7 billion for 2018. We estimate OTT will represent 74% of US Movie/TV Rental revenue YE2017, from 65% YE2016.

US TV subscriber losses and cord cutter/never household additions saw a major increase in 2016 as compared to 2015: We estimate 2016 saw a decline of 2.05 million US TV subscribers, 2015 saw a decline of 1.16 million, and forecast a decline of 2.11 million TV subscribers for 2017. As illustrated in our US Cord Cutter/ Never Household Model, 2010 saw the start of the rise in cord cutter/never households. As of YE2016 we estimate 27.2 million US households (22.3% of HHs) did not have a traditional TV subscription with a Cable, Satellite, or Telco TV access provider, up from 24.2 million (20% of HHs) YE2015, and we forecast 30.3 million (24.6% of HHs) YE2017. 2015 saw 2.1 million, 2016 3 million, and we forecast 3.1 million 2017 cord cutter/never household additions.

We estimate US residential broadband subscribers grew to 94.5 million in 2016 and forecast 97.2 million YE2017, hence there will be more residential broadband subscribers than TV subscribers before YE2017. We estimate US residential broadband access revenue at $51.3 billion 2016 and forecast $54.7 billion for 2017. Over the last five years Cable has added nine times the residential broadband subs the Telcos have.

We estimate Broadcast & Cable Network Online TV advertising represented 4.6% ($3.64 billion) of 2016 US TV advertising revenue, and forecast 4.9% for 2017.

Based on the full-episode TV shows US Broadcasters & Cable Networks made available online for free in 2016, we estimate that on average 17% of the weekly viewing audience watched on average four episodes per week, 2015 saw 18% and we forecast 16% for 2017. We attribute the decline to the rise of OTT, the DVR, TV Everywhere, and the replacement of Hulu with Yahoo View.